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DE RUEHSB #0462/01 1441142
ZNR UUUUU ZZH
R 231142Z MAY 08
FM AMEMBASSY HARARE
TO RUEHC/SECSTATE WASHDC 2941
INFO RUCNSAD/SOUTHERN AF DEVELOPMENT COMMUNITY COLLECTIVE
RUEHUJA/AMEMBASSY ABUJA 1973
RUEHAR/AMEMBASSY ACCRA 1996
RUEHDS/AMEMBASSY ADDIS ABABA 2117
RUEHRL/AMEMBASSY BERLIN 0662
RUEHBY/AMEMBASSY CANBERRA 1394
RUEHDK/AMEMBASSY DAKAR 1752
RUEHKM/AMEMBASSY KAMPALA 2173
RUEHNR/AMEMBASSY NAIROBI 4604
RHEHAAA/NSC WASHDC
RHMFISS/EUCOM POLAD VAIHINGEN GE
RUEHGV/USMISSION GENEVA 1257
RUZEJAA/JAC MOLESWORTH RAF MOLESWORTH UK
RHEFDIA/DIA WASHDC
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 03 HARARE 000462

AF/S FOR S.HILL
ADDIS ABABA FOR USAU
ADDIS ABABA FOR ACSS
NSC FOR SENIOR AFRICA DIRECTOR B.PITTMAN
TREASURY FOR D.PETERS AND T.RAND
STATE PASS TO USAID FOR L.DOBBS AND E.LOKEN
COMMERCE FOR BECKY ERKUL

SIPDIS

E.O.12958: N/A
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SUBJECT: ZIM NOTES May 23, 2008

11. SUMMARY

Topics of the week:

- Tsvangirai to Return
- ZANU-PF Strategy To Maintain Power And Considerations of a GNU
- A Compendium Of Violence
- Media Crackdown
- Two Union Leaders Released On Bail, Another Arrested
- Bishop Kunonga Excommunicated
- Police Officer Fined For Assaulting Human Rights Lawyers
- Water Woes
- Zimbabwe Dollar In Free-Fall
- RBZ Suspends Mechanism For Trading Shares Between Stock Exchanges
- Tobacco Auctions Interrupted Over Cash Shortages
- Rich Platinum Claims Change Hands in Hush-Hush Deals
- Government Orders Prop Up Ag Equipment Manufacturer

12. Price Movements-Exchange Rate and Selected products

Parallel rate for cash diverged further, at ZW\$430 million:US\$1,
from inter-bank average of Z\$390 million:US\$1
Bank transfer rate jumped to: Z\$530 million;
Official rate: ZW\$30,000:US\$1

Sugar rose to Z\$670 million/2kg vs. controlled price of Z\$8
million/2kg

Cooking oil is steady at Z\$750 million/750ml vs. controlled price of
Z\$9.3 million/750ml

Petrol and diesel rose to Z\$650million/liter vs. controlled price of
Z\$60,000/liter

On the Political/Social Front

13. Tsvangirai to Return... After several false starts, it appears that MDC leader Morgan Tsvangirai will actually return to Zimbabwe this weekend. As yet, there are no definite plans as to when and where he will kick off the election campaign.

14. ZANU-PF Strategy To Maintain Power And Considerations of a GNU... Ruling party ZANU-PF's strategy to maintain power centers around a campaign of terror in rural areas to weaken and intimidate the opposition, targeted attacks and intimidation of the key opposition officials, an information campaign to bolster ZANU-PF and deny the opposition access to media, restrictions on international election observers and intimidation of local observers, and a vote-rigging apparatus that will stand in stark contrast to the electoral structures of March 29. With ZANU-PF concerned that it could lose the election despite its campaign of terror, and with the MDC concerned that ZANU-PF might not yield power even if it loses the election, there is growing talk of negotiations between the two parties. If negotiations actually do take place, the obstacle to any agreement will be who would lead. Tsvangirai rightly believes he won the election and should not have to take a back seat in a power-sharing arrangement. And even if Mugabe could be persuaded to step down, those around him are unwilling at this point to give up the reigns of power and the attendant emoluments of security and wealth. See Harare 453.

15. A Compendium Of Violence... The Solidarity Peace Trust has issued a comprehensive report on Zimbabwe's post-election violence: "Punishing Dissent, Silencing Citizens: The Zimbabwe Elections

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2008." The report concludes that a run-off election "is neither practical nor desirable" in the current environment and recommends a transitional government. See <http://www.solidaritypeacetrust.org>

16. Media Crackdown... Local media watch-dog organizations reported the arrest or detention of at least five members of the foreign media and four local journalists in relation to their post-election reporting; many others have been harassed. The systematic intimidation of journalists has included the resuscitation of old legal cases against journalists and the re-arrest of previously acquitted journalists. The post-election period has seen a tightening of guidelines at the state-run Zimbabwean Broadcasting Corporation (ZBC) by ruling party leaders and the dismissal of the ZBC CEO Henry Muradzikwa for reportedly defying ministerial orders to deny the opposition neutral pre-election coverage. These severe limits on freedom of expression are yet more evidence that the conditions for free and fair elections do not exist.

17. Two Union Leaders Released On Bail, Another Arrested... Zimbabwe Congress of Trade Union (ZCTU) leaders Wellington Chibebe and Lovemore Matombo were released on bail after spending over a week in jail on charges of inciting violence. At their hearing, Raymond Majongwe, General Secretary of the Progressive Teachers Union of Zimbabwe (PTUZ) was arrested and held for several hours; no charges were filed. PTUZ has been outspoken in recent weeks, publicizing the targeting of teachers in rural areas and the negative impact of this on rural schools. PTUZ also sponsored a recent full-page advertisement in The Standard which referred to President Mugabe as "Mr. Robert Mugabe;" it was perceived by the GOZ as an insult and "denigrating" to the president.

18. Bishop Kunonga Excommunicated... The Anglican church excommunicated Bishop Kunonga, a strong supporter of President Mugabe, the weekend of May 17 for failing to follow church rules and for starting his own church. This follows weeks of discord between Kunonga and the newly appointed Bishop, Sebastian Bakare; Bakare's services continue to experience disruptions by Zimbabwean police and by Kunonga who insists on sharing the Anglican cathedral while the courts continue to deal with Bakare's efforts to evict him.

19. Police Officer Fined For Assaulting Human Rights Lawyers... The High Court recently ordered senior police official Joel Tenderere to pay a total of Z\$90 billion to two human rights lawyers who were subjected to inhuman and degrading treatment when they were arrested

last year. Tenderere has previously been accused of ordering assault and torture in other cases, including the arrest of Zimbabwe Congress of Trade Union leaders in 2006.

¶10. Water Woes... The Herald reported today that ZINWA (Zimbabwe National Water Authority) has for the second time in 2 weeks reduced water production by 30% after running out of treatment chemicals. Two weeks ago, the authority reduced water production by 20% only to resume pumping at full capacity early this week before cutting down again yesterday.

Economic and Business News

¶11. Zimbabwe Dollar In Free-Fall... The street value of the local currency plummeted in the past week by 31.5% from Z\$275 million:US\$1 to Z\$430 million:US\$1. The Reserve Bank of Zimbabwe (RBZ) attributed the collapse to excess demand for foreign exchange in the face of low supply. Its recent liberalization of some foreign exchange transactions was meant to increase exports and thus forex earnings, but there is a lag before the positive effect kicks in. Moreover, market players do not believe that the liberal foreign exchange regime will last, given the steep increases in the price of imports that it brought in. As a result, demand for foreign

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exchange has risen far higher than under normal circumstances.

¶12. RBZ Suspends Mechanism For Trading Shares Between Stock Exchanges... The RBZ suspended the fungibility of shares in Old Mutual Limited, ABC and Kingdom Meikles Africa Limited. According to a communication sent to the Zimbabwe Stock Exchange, shares in these counters will now only be brought into the country but may no longer be taken out as the latter entails the movement of much needed foreign exchange out of the country. Notwithstanding this, Old Mutual traded 25% firmer, ABC traded steady, and Kingdom Meikles rose in value.

¶13. Tobacco Auctions Interrupted Over Cash Shortages... Business ground to a halt this week at the country's three auction floors after small-scale farmers stopped selling their crop in protest over non-payment. Sales by the cash-dependent small-scale growers who make up about 50% of the market surpass Z\$500 billion on average. For lack of availability of the new Z\$5-50 billion "agro-cheques," however, these growers were only being paid out Z\$5 billion in cash and the rest in checks (many of the farmers do not have bank accounts). Large-scale growers are paid via bank transfers. Rodney Ambrose, CEO of Zimbabwe Tobacco Association told us that the auctions were starting back up today as the "agro-cheques" became increasingly available.

¶14. Rich Platinum Claims Change Hands in Hush-Hush Deals... The GOZ appears troublingly willing to sell the family silver, or in this case, platinum, in shadowy deals for short-term benefit to questionable investors with no experience in platinum and absent public tender or public scrutiny of the terms. Desperate for forex, the GOZ has opted for the quick return. See Harare 459.

¶15. Government Orders Prop Up Ag Equipment Manufacturer... The MD of publicly traded Steelnet (Zimbabwe), Dave McCann, told analysts this week that the company had generated strong profits and cash in the four months to April. Two very big orders for the GOZ's Farm Mechanization Scheme - one for animal drawn implements and the other for tractor drawn - had buoyed the numbers.

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